

# **FISCAL NOTE**

## **SB 37**

January 23, 2007

**SUMMARY OF BILL:** Earmarks sales and use tax revenue generated from the retail sale of hunting equipment and fishing equipment for the Wildlife Resources Fund (WRF).

### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues – Exceeds \$8,910,000/Wildlife Resources Fund**

**Decrease State Revenues – Exceeds \$2,586,000/General Fund**

**Exceeds \$5,800,000/Education Fund**

**Exceeds \$33,000/Department of Revenue**

**Exceeds \$82,000/Sinking Fund**

**Increase State Expenditures - \$100,000 One-Time**

**Decrease Local Govt. Revenues – Exceeds \$409,000**

#### Assumptions:

- “Hunting equipment” shall mean any firearm or weapon, including ammunition, authorized by law for the taking of wildlife in Tennessee.
- “Fishing equipment” shall mean any rod, reel, fishing line, or tackle authorized by law for the taking of fish in Tennessee.
- The Department of Revenue (DOR) has estimated that approximately \$9,900,000 was collected in state sales tax revenue derived from the retail sale of hunting and fishing equipment in FY05-06 (this estimate was based from U.S. Census Bureau data).
- Taxable sales of hunting and fishing equipment in FY05-06, based on the DOR’s estimate for FY05-06 collections, would be approximately \$141,429,000 per year ( $\$9,900,000 \div 7.0\% \text{ state rate} = \$141,428,571$ ).
- The Tennessee Wildlife Resources Agency (TWRA) has estimated taxable sales of hunting and fishing equipment to be approximately \$291,019,000 per year based on data provided them by the U.S. Fish and Wildlife Service.
- Growth of taxable sales for hunting and fishing equipment is estimated to be 4.0% per year.

- Taxable sales for FY07-08, for the purpose of estimating the fiscal impact of this proposed legislation, are estimated to be at least \$162,000,000 per year (this takes into account estimates provided by both the DOR and the TWRA, and any annual growth of taxable sales).
- Sales tax revenue resulting from the sale of hunting and fishing equipment in FY07-08 is estimated to exceed \$11,340,000 ( $\$162,000,000 \times 7.0\% = \$11,340,000$ ).
- Apportionment of sales and use tax revenue derived for educational purposes, pursuant to Acts 1992, chapter 529 (a 0.5% increase) or Acts 2002, chapter 856 (a 1.0% increase), shall remain unchanged.
- 78.57% of estimated sales tax revenue generated from the retail sale of hunting and fishing equipment would be earmarked to the WRF ( $5.5\% \div 7.0\% \text{ state rate} = 78.57\%$ ).
- An amount estimated to exceed \$8,910,000 per year would be earmarked to the WRF ( $\$11,340,000 \times 78.57\% = \$8,909,838$ ).
- The estimated \$8,910,000 in state sales tax revenue would have been apportioned as follows: \$2,586,000 to the General Fund, \$5,800,000 for education, \$409,000 to local governments, \$33,000 to the DOR, and \$82,000 to the Sinking Fund.
- No hold-harmless provision for local governments concerning their share of state-shared sales tax revenue.
- The recurring decrease to local government revenues is estimated to exceed \$409,000 per year.
- The net recurring decrease to state revenues is estimated to exceed \$8,501,000 per year ( $\$8,910,000 - \$409,000 \text{ local share} = \$8,501,000$ ).
- One-time increase to state expenditures for computer and software enhancements is estimated to be \$100,000.

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director